



Office of the Executive Secretary  
Nevada Gaming Commission  
1919 College Parkway  
PO Box 8003  
Carson City, NV 89702

Re: Rebates on Pari-mutuel Wagers

As an interested party and license holder of 6 race books Cantor Gaming would like to provide the following comments on the feasibility of agreeing to refund or rebate a portion or percentage of the full face value of an off-track pari-mutuel wager.

### Summary

Nevada's handle has been in steady decline for more than a decade. All States that offer pari-mutuel wagering legally provide patrons with rebating and have little issue in luring significant bettors to move their wagering out of Nevada, and Nevada books have few tools to fight such competition. These states offer an identical product to the one offered in Nevada but provide the customer with a greater return, and current restrictions make it impossible for Nevada books be competitively priced.<sup>[1]</sup> Brick and mortar race tracks throughout the United States with similar infrastructures to Race & Sports books offer rebates and pay higher signal fees. These tracks have not had a problem adjusting to the revised business model.

Additionally pari-mutuel wagering is at a disadvantage in the Nevada casino environment because all other types of wagering are eligible for forms of discounts, free play or promotional activities to help stimulate wagering activity, patron attraction and retention. We believe that the implementation of pari-mutuel rebates will provide an opportunity to galvanize the states horse wagering business and allow it to be competitive with the rest of the United States.

**Nevada Landscape:** From the inception of pari-mutuel racing, Nevada enjoyed a competitive landscape with regard to rebating on pari-mutuel wagering until 1997.<sup>[2]</sup> In 1997, Senate Bill 318, a bill that "*makes various changes to provisions governing gaming*" contained provisions to prohibit rebating. The legislative history shows that other states, and California in particular, were opposed to Nevada permitting its race books to rebate pari-mutuel wagers because it was discounting California's racing product and thus driving customers from California to Nevada and thus depriving California racing of revenue that it would otherwise retain. The following excerpt from the legislative history illustrates the issue clearly:

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<sup>[1]</sup> Any particular pari-mutuel wager is offered by the track hosting the race. The wager, including the odds and the price before rebate, is the only variable for a consumer shopping to place a wager on the long shot in the third race at Belmont is price.

<sup>[2]</sup> *Nevada Senate Bill 318 Before the Assembly Judiciary Committee, (July 2, 1997) (See statement of Barry Lieberman, General Counsel, Coast Resorts, Inc. "He stated rebates were a way that the smaller casinos could compete with the larger casinos. He said the rebate issue was part of his client's marketing plan when the contract they were operating under allowed it. He said the rebate issue could be controlled by the tracks.")*

*“Mr. Cabot maintained the biggest problem was the state of California prohibited the tracks in California from giving rebates. Therefore, the state of California claimed the state of Nevada was stealing their customers, and for every customer who bet in Nevada, the state of California got 3.5 percent back, but had they bet in California, they would have gotten 18 percent back. The state of California concluded for every dollar that crossed the state line, because Nevada gave rebates that California could not give, they were losing \$6. The NPMA could not argue with that logic, and felt that if the state of California was good enough to sell the state of Nevada their signal and the rights to do pari-mutuel wagering, the state of Nevada should not be competing with them for their own customers. What had happened, according to Mr. Cabot, was that was not the case; there were three books that were still giving rebates, and the state of California said they wanted a significantly larger amount of money for the state of Nevada to do pari-mutuel wagering, if Nevada was going to give rebates and steal California’s customers. He emphasized that affected casinos that were not giving rebates.*

*The other situation, told by Mr. Cabot, was a New Jersey track told the NPMA to specifically exclude the three books giving rebates, or they would not allow the state of Nevada to do pari-mutuel wagering with the state of New Jersey. Mr. Cabot said they told the state of New Jersey the NPMA could not do that; that was not the way the NPMA’s system was set up, so therefore, the NPMA was currently not taking pari-mutuel signals from the state of New Jersey. He concluded rebates had created a significant problem in the way the NPMA negotiated contracts with other states which had resulted in a “blackout” in California, and no pari-mutuel wagering with the state of New Jersey.”*

- Nevada Senate Bill 318 Before the Senate Judiciary Committee, (June, 1997)

In 1997, Nevada was threatened with loss of signals or “blackouts” from states that prohibited the practice of rebating in their own states or at their own tracks. As evidenced in the testimony outlined above, Nevada and its rebating practices were blamed for declining local handle. California was particularly vocal regarding the issue and was active in submitting letters to the Nevada legislature in support of statutory prohibitions against rebating. Letters were received from the California Horse Racing Board, the Thoroughbred Owners of California, and the Los Angeles Turf Club, all expressing support for Nevada’s prohibition against rebating. Copies of these letters are provided as Exhibit A to this letter. As noted below, these letters do not reflect the current position of California racing, which generally permits rebating on races at California tracks.

Despite Nevada’s prohibition against rebating in 1997, handle apparently did not improve significantly elsewhere and California ceased enforcing its anti-rebating regulation shortly after forcing the issue with Nevada. For example, in 2004, Magna Entertainment, began offering rebates through its account wagering subsidiary on races at its California tracks.<sup>[3]</sup> By 2009, the California Horse Racing Board (the “CHRB”) formally and unanimously rescinded its anti-rebating regulation in California.<sup>[4]</sup> During the discussion, Craig Fravel, then the president of Del Mar Thoroughbred Club in supporting the repeal of the regulation stated that *“I mean, basically, the view that everybody took, including the Board,*

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<sup>[3]</sup> See Jack Shinar, CHRB Moves to Rescind Anti-Rebate Stance, BLOOD-HORSE & BLOODHORSE.COM, February 26, 2009, available at <http://www.bloodhorse.com/horse-racing/articles/49388/chrb-moves-to-rescind-anti-rebate-stance>

<sup>[4]</sup> Meeting of the State of California Horse Racing Board Regular Meeting, February 26, 2009, transcript available at [http://www.chrb.ca.gov/board/board\\_meeting\\_transcripts/TRANSCRIPT%2009-02-26.pdf](http://www.chrb.ca.gov/board/board_meeting_transcripts/TRANSCRIPT%2009-02-26.pdf)

*was that the rule said you have to place in your contract a prohibition on rebating, which everybody did and everybody ignored it. It didn't say you have to enforce it.”*<sup>[5]</sup>

In 2003, the Nevada Pari-mutuel Association (the “NPMA”) also sought to soften Nevada’s anti-rebating statute by supporting an amendment to NRS 464.075 to permit the Commission by regulation to exempt certain bets, refunds, rebates, payoffs or bonuses from the anti-rebating provisions of NRS 464.075. In written testimony submitted to the Nevada Senate Judiciary Committee on March 21, 2003, Anthony Cabot, Legal Counsel to the NPMA along with Patty Jones, the Executive Director of the NPMA noted that in 1999 Nevada racing handle had risen to \$619 million, but by the time of their testimony racing handle had dropped to \$470 million.<sup>[6]</sup> According to the NPMA and its counsel, the drop in handle was attributed to a lack of competitiveness in Nevada caused by two primary factors, first a lack of account wagering and second a lack of rebating. With regard to rebating their testimony stated as follows:

*The second requested change involves the prohibition against race books giving rebates to patrons. A rebate is when a patron is given a discount on the face amount of the wager or given a portion of every bet back.*

*The prohibition was implemented in 1997 because the California tracks refuse to provide our books access to their wagering pools without it.*

*We capitulated as a point of diplomacy to end an extended blackout of California racing at our books.*

*California tracks, however are now giving out such rebates. Likewise OTBS and tracks across the country and world are following such practices.*

*We are not requesting that the prohibition be lifted, only that the Nevada gaming Commission be able to carve out exceptions to the prohibitions that are in the best interest of the State...*

The Nevada Legislature ultimately enacted Senate Bill 3, which included the following language granting the Commission the power to exempt certain bets from the statutory prohibitions against rebating:

*The Nevada Gaming Commission may, by regulation, exempt certain bets, refunds, rebates, payoffs or bonuses from the provisions of subsection 1 if the Commission determines that such exemptions are in the best interests of the State of Nevada and licensed gaming in this state. Any bets, refunds, rebates, payoffs or bonuses that would result in the amount of such bets, refunds, rebates, payoffs or bonuses being directly or indirectly deductible from gross revenue may not be exempt.*

In the ten years since the NPMA successfully lobbied to permit Nevada books to use rebating as a tool to be more competitive nationally and internationally, the horse racing industry has continued to decline and Nevada’s competitive position has continued to erode. As recently as the August 2012 Nevada Gaming Commission Meeting, Anthony Cabot while representing the NPMA explained that real

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<sup>[5]</sup> Id at page 34.

<sup>[6]</sup> *Senate Committee on Judiciary*, March 21, 2003, (See Testimony of Anthony Cabot, Legal Counsel to the Nevada Pari-mutuel Association Before the Nevada Senate Judiciary Committee March 21, 2003, written testimony stamped as Exhibit D).

racing handle is down 37% from its peak in 2003, race days are down 15 percent from 2000, 4 % of the customer base is being lost every year (half of that to death) and the competitors in this space are fighting ever more fiercely over this shrinking pie.<sup>[7]</sup>

At that same August meeting the NPMA expressed the devastating truth that Nevada's racing handle is just 56.7 percent of what it was just six years ago. Additionally, the news is getting worse because the NPMA projects handle to drop an additional 3 to 5 percent again this year.<sup>[8]</sup> In fact, the currently published Nevada Gaming Control Board Revenue Report through June (the most current as of the date of this letter), shows Pari-Mutuel Wagering down 6.15% year to date from last year, Pari-Mutuel win was down 8.6% for the last twelve months and down 11.36% comparing June to June.<sup>[9]</sup> Clearly, race books in Nevada need tools to be more competitive and thankfully, the legislature has provided the opportunity to implement on of these tools if the Commission adopts regulations consistent with the legislative grant.

### **Condition of pari-mutuel wagering in the state of Nevada**

In the nine years since account wagering and exemptions for rebating were introduced into Nevada's statutes, Nevada has continued to lose ground to other states with off track betting. The following table shows a comparison of Nevada's handle with Oregon's off track betting handle:

<i>Year</i>	<i>Nevada OTB</i>	<i>Oregon OTB</i>
2003	\$478,806,057	\$830,018,121
2004	\$502,413,594	\$883,019,744
2005	\$537,729,331	\$961,801,294
2006	\$561,936,231	\$1,340,375,866
2007	\$551,109,806	\$1,573,680,479
2008	\$464,770,318	\$1,308,416,446
2009	\$384,333,333	\$1,244,690,722
2010	\$381,180,012	\$1,448,791,376
2011	\$363,355,745	\$1,844,927,704
2012	\$333,980,700	\$2,211,317,676

Note that Nevada has been suffering through five straight years of declining handle. In contrast, Oregon has only had two years of decline since 2003 and has managed to more than double its off-track betting handle. While the back-end systems, regulations and laws of Oregon and Nevada may be different, the product offered to customers is the same, namely, pari-mutuel wagers on races at tracks through books that are not part of the track.

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<sup>[7]</sup> See Before the Nevada Gaming Commission, August 2012 Agenda, Off –Track Pari-Mutuel Wagering Committee, Transcript, Page 18, Comments of Anthony Cabot, Counsel to the Nevada Pari-mutuel Association.

<sup>[8]</sup> Id. at page 20.

<sup>[9]</sup> Source Nevada Gaming Control Board

## **Impact of rebates on related parties**

**Impact on states handle** - The anticipated impact on pari-mutuel handle is that overall handle will significantly increase. This increase will occur due to 2 major factors; first, existing customers will immediately have more liquidity to wager due to having more money in hand and secondly new customers will be driven to wager in the state because they will receive a competitive rebate.

**Impact on taxation** – Cantor would propose that the rebate be given to the patron as an after tax expense, which could be treated similarly to the way complimentaries’s are currently handled. Adopting this methodology would ensure that the process by which operators accumulate tax information and pay taxes based on pari-mutuel wagers would remain unchanged. This is consistent with current statutes that prohibit the deduction of rebates and promotions from pari-mutuel gross revenue.<sup>10</sup> The state would receive more tax dollars, since handle would increase and the operators pay tax on revenue which is earned as a commission based upon handle.<sup>[11]</sup>

**Impact on operators** – As previously stated if rebates are treated as a complimentary, it is in the sole discretion of the operators as to if and at what levels of rebates are offered. This method would not yield any tax advantages to operators offering rebates. (Exhibit B included within provides an example of the impact to the operator on offering a rebate). However, Cantor Gaming’s research regarding rebating in other jurisdictions indicates that most patrons wager rebated amounts, thus the rebated amounts are churned back into the pari-mutuel system, thus further increasing the volume of business for the operator.

**Impact on tracks** – Currently all track agreements for pari-mutuel wagering are negotiated exclusively by the Rate Committee appointed by the Commission. Tracks are compensated by the state of Nevada either through a negotiated daily fee or percentage of handle. As they currently stand, the track agreements the Rate Committee has negotiated with the various tracks around the country all contain a specific prohibition from rebating. Cantor believes that the tracks would be more than willing to negotiate with the Rate Committee to remove the language prohibiting rebates, if it is allowed by Nevada regulation. A representative of the majority of significant tracks in California sent a letter to the Nevada Legislature during the 2013 session that emphasizes that many of the same tracks that opposed rebating in 1997 are now in favor of rebating today. Likewise, the Chairman of the Thoroughbred Owners of California (who also is a licensee of a small unrestricted casino facility in Carson City) also sent a letter in support of rebating to the 2013 Nevada Legislature and this is the chairman of the same organization that sent a letter to the Nevada Legislature opposing rebating in 1997. Copies of the 2013 letters are attached to this letter as Exhibit C.

One of the concerns that has been raised is that tracks may increase their signal fees if rebates are allowed, which is a possibility, however there is no reason to believe that that the rates may not increase anyway due to the significant decreases in handle in the state of Nevada and the resulting diminished bargaining strength.

## **Operational feasibility**

**Operations overview** – Cantor believes that the issuance of a cash rebate is feasible from an operational perspective. Rebates can be tracked and processed by various methods including through Smart Button, the race complimentary software program made available to all race books through LVDC, other complimentary management systems currently used by licensees, or through account wagering. A pari-mutuel race customer will be rebated a percentage of his stakes. The rebate amount may vary from track

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<sup>10</sup> See NRS 464.045(3)

<sup>[11]</sup> Oregon is used as a comparison because other jurisdictions do not publish pari-mutuel handle. .

to track, bet type to bet type, and amount wagered and other factors each individual race book may choose to implement, in part guided by the takeout and track fees as may be negotiated with the tracks. Cantor's expectation is that its customers will broadly receive an average rebate credit of up to 8% of their bets depending on their betting volume. Full details of exact rebate terms would be posted in every Cantor Gaming-operated Race Book, and patrons will have access to this 'rebate menu'. Once the race results are officially posted, the rebate can immediately be added to the patron's comp balance for their subsequent use where a significant portion of the rebate amount is likely to be again wagered by the patron.

**Operational specifics** – A customer would make a race wager through the race book. Each wager would be systematically sent to the disseminator where the wagers will be placed into the pari-mutuel pool the same way as they are currently treated.

The Cantor Race system would receive all race results and pricing directly from the disseminator and the customer's comp balance would be adjusted based on the outcome of the race. In addition to the settlement of the wager the customer's comp balance would also reflect the addition of their rebate, which would be listed as a separate transaction being added to their comp balance. The rebate would be placed into the patron's comp account immediately after the race has been made official, meaning when the result is sent from the disseminator. The customer would be able to re-bet this amount, or make a withdrawal, whichever option they choose. This system would need to be approved by the Gaming Control Board and/or Nevada Gaming Commission as required by regulations.

### **Reporting and State Tax Revenue affect**

Revenue and tax reporting would be no different from the way it is currently treated. The reports generated by the disseminator which are currently used to compile the information on NGC tax forms can still be used. The only change to the process would be that the operators system (in this case Cantor Race) would be used to track player balances and rebates. If rebates are treated as an after tax expense, as discussed previously, this reporting will only be needed by the operator so they can track cash balances, liabilities and expenses, it would not be required when calculating the revenue earned or gaming tax owed, yielding only increased taxable revenue for the State

### **Conclusion/Recommendation**

One of the largest dilemmas pertaining to rebates is balancing the concerns of the smaller operators who believe they cannot afford rebates and of some in the industry who believe that rebates would cripple the Rate Committee's ability to negotiate status quo rates with the tracks against the views of other operators such as Cantor, who believe that despite a potential increase in fees, rebating would be beneficial in drawing bettors back to Nevada to increase race betting, taxes and potentially have a positive spillover effect. Our suggestion is that the Commission direct that dual rates be negotiated with each track if, in fact, the tracks require rate increases to allow rebates. Operators that choose to not participate in a rebate program would then be afforded rates that could be the same as those negotiated today if the tracks are amenable, and those race books can continue their business model of offering complimentary to customers which may better suit their customer base. Operators who offer rebates would pay a different signal fee, which would be negotiated under the premise that rebates would be offered. This fee should be consistent with what track operators around the country pay while they offer rebates, which are not significantly disparate from the Nevada rates.

Cantor thanks the Commission for its consideration and we look forward to the opportunity to participate in this important discussion.

EXHIBIT A

1997 Letters Submitted To The Nevada Legislature Supporting a Prohibition on Rebating

JUN 30 '97 15:14 FR TOC

818 821 1515 TO 17026848888

P.02/02

June 30, 1997

JUN 30 1997



Via Facsimile and Mail

Mr. Bernie Anderson  
Chairman  
Nevada Assembly Judiciary Committee  
401 S. Carson Street  
Carson City, Nevada 89701-4747

Re: SB 318

Dear Chairman Anderson:

PRESIDENT &  
GENERAL COUNSEL  
JOHN K. VAN DE KAMP

**EXECUTIVE COMMITTEE**

ED FRIENDLY  
CHAIRMAN OF THE BOARD  
RON CHARLES  
VICE PRESIDENT  
JACK B. OWENS  
VICE PRESIDENT  
MACE SIEGEL  
VICE PRESIDENT/  
TREASURER

**DIRECTORS**

THOMAS W. BACHMAN  
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JACK B. OWENS  
MACE SIEGEL

**HONORARY DIRECTOR**

J. TERRENCE LANNI

**INTERIM EXECUTIVE  
DIRECTOR**

DON L. JOHNSON

285 W. HUNTINGTON DR.  
ARCADIA, CA 91007  
(818) 574-6620 PHONE  
(800) 994-9909 TOLL-FREE  
(818) 821-1515 FAX

I am President of the Thoroughbred Owners of California ("TOC"), the organization which represents the approximate 9,000 owners of Thoroughbred horses in California. TOC strongly supports and recommends the passage of SB 318 out of your committee. TOC believes that the existence of rebates in Nevada has seriously interfered in the attempt to resolve the dispute between race books in Nevada, California tracks and TOC. Thank you for your interest in this very serious matter.

The proposed Nevada legislation conforms to Section 1950.1 of the Rules and Regulations of the California Horse Racing Board which became effective on June 20, 1996. The CHRB rule necessitated an amendment to the original agreement dated December 7, 1995 between the Nevada Pari-Mutuel Books and Los Angeles Turf Club (Santa Anita). The original agreement did not contain a provision for the prohibition of rebates as required by Rule 1950.1. The purpose of the amendment was to formally add rebate language to the original agreement and place the parties in compliance with CHRB Rule 1950.1.

Again, we strongly encourage your support of SB 318.

Sincerely,

John K. Van de Kamp  
President

JVK:jas

Submitted to the Committee on Judiciary on 7/2/97  
by John Van de Kamp, Thoroughbred Owners of California

EXHIBIT H

\*\* TOTAL PAGE.02 \*\*

32



Los Angeles Turf Club, Incorporated  
Santa Anita Park  
285 West Huntington Drive  
P.O. Box 60014  
Arcadia, California 91066-6014  
Telephone: (818) 574-7223  
FAX: (818) 446-9565

JUL 1 1997

President

June 29, 1997

Mr. Bernie Anderson  
Chairman  
Nevada Assembly Judiciary Committee  
401 So. Carson Street  
Carson City, Nevada 89701-4747

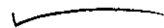
Dear Chairman Anderson:

It has come to our attention that SB 318 will be heard shortly before your committee.

As President of Santa Anita Park I am writing to recommend passage of this bill out of your committee. In our opinion the existence of rebates in Nevada is what first sparked the current dispute between race books in Nevada and California tracks. Passage of this bill will greatly assist the ability of these two parties to reach an understanding after several months without a California signal.

We strongly urge your support of SB 318.

Best regards,

  
Clifford C. Goodrich

Submitted to the Committee on Judiciary on 7/27/97  
by Clifford Goodrich, Santa Anita Park

**EXHIBIT I**



STATE OF CALIFORNIA

PETE WILSON, GOVERNOR

**CALIFORNIA HORSE RACING BOARD**

1010 HURLEY WAY, SUITE 300  
SACRAMENTO, CA 95825  
(916) 263-6000  
FAX (916) 263-6042



JUN 30 1997

June 30, 1997

VIA FACSIMILE AND REGULAR MAIL

Mr. Bernie Anderson, Chairman  
Nevada Assembly Judiciary Committee  
401 S. Carson Street  
Carson City, NV 89701-4747

Dear Chairman Anderson:

We are informed that your committee will be hearing S.B. 318 which deals with rebates being paid on pari-mutuel wagering. Our Board has been steadfastly opposed to rebates as evidenced by California Horse Racing Board Rule 1950.1, Rebates on Wagers, which prohibits them. We support the elimination of rebates and support penalties associated with them when they are found to be in use. We thank you for your consideration in this matter and would appreciate your committee's further consideration.

Sincerely,

A handwritten signature in cursive script, reading "Ralph M. Scurfield".

Ralph M. Scurfield  
Chairman

RMS:jb

Submitted to the Committee on Judiciary on 7/2/97  
by Ralph Scurfield, California Horse Racing Board

**EXHIBIT G**

# EXHIBIT B

## Current Model

	NYRA (Aqueduct)			
	WPS	Exacta	Tri	
Handle	\$100	\$100	\$100	
Takeout	16.00%	18.50%	24.00%	
<b>Revenue</b>	<b>\$16.00</b>	<b>\$18.50</b>	<b>\$24.00</b>	(Gross Rev to casino operator)
Track Fee	(\$4.85)	(\$4.85)	(\$4.85)	
<b>Net Revenue</b>	<b>\$11.15</b>	<b>\$13.65</b>	<b>\$19.15</b>	
Gaming Tax	(\$0.75)	(\$0.92)	(\$1.29)	(6.75% of Net Revenue)
<b>Net to Operator</b>	<b>\$10.40</b>	<b>\$12.73</b>	<b>\$17.86</b>	
<b>Complimentary</b>	<b>(\$2.00)</b>	<b>(\$2.50)</b>	<b>(\$3.00)</b>	
	2%	2.50%	3%	
<b>Total P&amp;L to Operator</b>	<b>\$8.40</b>	<b>\$10.23</b>	<b>\$14.86</b>	
	8%	10%	15%	

## Rebate Model

	NYRA (Aqueduct)			
	WPS	Exacta	Tri	
Handle	\$100	\$100	\$100	
Takeout	16.00%	18.50%	24.00%	
<b>Revenue</b>	<b>\$16.00</b>	<b>\$18.50</b>	<b>\$24.00</b>	(Gross Rev to casino operator)
Track Fee	(\$4.85)	(\$4.85)	(\$4.85)	
<b>Net Revenue</b>	<b>\$11.15</b>	<b>\$13.65</b>	<b>\$19.15</b>	
Gaming Tax	(\$0.75)	(\$0.92)	(\$1.29)	(6.75% of Net Revenue)
<b>Net to Operator</b>	<b>\$10.40</b>	<b>\$12.73</b>	<b>\$17.86</b>	
<b>Rebate</b>	<b>(\$5.40)</b>	<b>(\$7.73)</b>	<b>(\$12.36)</b>	
	5.40%	7.73%	12.36%	
<b>Total P&amp;L to Operator</b>	<b>\$5.00</b>	<b>\$5.00</b>	<b>\$5.50</b>	
	5%	5%	5%	

As indicated by the above example, the generation of revenue and flow of money is unchanged in the way the current business model runs vs. the way it would with rebates. The only change that occurs is the issuance of a rebate after the generation of revenue, as opposed to the issuance of a complimentary.

EXHIBIT C

LETTERS TO THE 2013 NEVADA LEGISLATURE SUPPORTING REBATING

**MONARCH**  
CONTENT MANAGEMENT  
285 W. Huntington Drive, Arcadia, CA 91007

VIA EMAIL

May 16, 2013

The Honorable Jason Frierson  
Chairman  
Nevada Assembly Judiciary Committee  
401 South Carson Street  
Carson City, Nevada 89701-4747

Dear Mr. Frierson:

Monarch Content Management, LLC is the simulcast purchase and sales agent for the following racetracks: California Authority of Racing Fairs, Del Mar, Fairplex, Golden Gate Fields, Gulfstream Park, Hollywood Park, Kentucky Downs, Laurel Park, Lone Star Park, Meadowlands, Monmouth, Pimlico, Portland Meadows, Santa Anita Park and Tampa Bay Downs. Please note that the Monarch tracks include every thoroughbred racetrack in the State of California with the sole exception of the Sonoma County Fair.

We understand that the Nevada legislature is considering passing legislation that would permit Nevada race books to offer its customers cash rebates on wagers placed on horse races. Monarch and the racetracks we represent are fully supportive of this legislation. It has come to our attention that there may be some question as to whether the California racetracks would continue to sell their racetrack signals to the Nevada casinos if the casinos offer rebates. I can assure you that they will. The payment of rebates has become a common practice in the horse racing business. In fact, we find it unusual that the State of Nevada still has a law prohibiting the practice.

Please feel free to contact me if you have any questions or need any further information.

Very truly yours,



Scott Daruty  
President

Dear Chairman and Members of the Assembly Judiciary Committee,

It has come to my attention that you are considering a bill (SB425) to permit Nevada race books to engage in rebating or price competition on pari-mutuel racing. As you may know, I own two Nevada non-restricted casino locations with race and sports operations in Northern Nevada. I am also a Thoroughbred Owners of California Board Member. As such I am in a somewhat unique position to weigh in on this bill as I can see this issue from the view points of both Nevada race book operator's perspective and that of California racing.

Unfortunately, my commitments related to the Kentucky Derby and Triple Crown racing have dominated my time and I was unable to testify in person regarding SB425 before your committee. However, I can say without any reservation that enactment of SB425 is essential to the health and survival of Nevada race books.

Nevada racing has been in decline for more than a decade. The Nevada Pari-mutuel Association and our attorneys have made great efforts in the past to provide us with tools to compete. But without the ability to compete on price these other tools – the ability to use account wagering, taking wagers from better in other states, advanced deposit wagering and call centers – can never reach their full potential.

I know there have been arguments that track costs to Nevada race books will likely go up with rebating. However, as a participant in California racing I can inform you that costs are likely to go up for Nevada books in any event. This is because the discounts offered to Nevada in the past were an accommodation made based largely on the volume of wagering provided by Nevada and that volume is no longer what it was. Therefore, as Nevada racing handle has dropped, its negotiating power based on its volume to get the best track pricing in the nation has dropped.

I have also learned that there are rumors that rebating will result in a return to having racing signals cut off to Nevada. This is ridiculous as rebating is the industry norm outside of Nevada. From the perspective of the racing product provider, there is a realization that growing handle is good for the racing industry. It is handle and the takeout from handle that funds the entire industry.

Additionally, I have also learned that there was an argument that rebating will raise all sorts of legal issues with Nevada licensees. As I recall, Nevada invented rebating and conducted rebating within the scope of Nevada's regulatory system without any significant issues prior to 1997. Additionally, the rebating will be done by Nevada licensees, the same licensees that have been deemed suitable to hold a Nevada nonrestricted gaming license.

Finally, Nevada pari-mutuel racing has been in decline for decades. As a licensee I can tell you that there is nothing to indicate that the status quo is likely to alter this decline. SB425 merely puts Nevada race books on a level playing field with race books in other states. SB425 gives Nevada race books a fighting chance to recover handle and the associated tax revenue.

Thank you.

Michael E. Pegram

Bodine's and Carson Valley Inn